

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CTME-00 JUSE-00 PA-01 TRSY-02  
SOE-02 AID-05 CEA-01 CIAE-00 COME-00 DODE-00  
EB-08 DOE-15 H-01 INR-10 INT-05 L-03 NSAE-00  
NSC-05 OMB-01 PM-05 ICA-11 OES-07 SP-02 SS-15  
STR-07 ACDA-12 /131 W  
-----086047 061752Z /45

R 061713Z JUN 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 6867  
INFO AMEMBASSY BRUSSELS  
AMEMBASSY DUBLIN  
AMEMBASSY OSLO  
AMEMBASSY PARIS  
AMCONSUL EDINBURGH

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USEEC  
USOEC

E.O. 11652: N/A  
TAGS: ENRG, UK, EINV  
SUBJECT: THE SIXTH OIL LICENSING ROUND

REF: (A) LONDON 7428, (B) LONDON 7239, (C) LONDON 7697

1. BEGIN SUMMARY: IT IS BEING SUGGESTED THAT PRIVATE COMPANIES MAY DECLINE TO PARTICIPATE IN THE SIXTH ROUND. SOME OF THEM MIGHT WELL STAY OUT, BUT FINAL CONDITIONS FOR NEW LICENSES ARE NOT YET KNOWN. END SUMMARY.

2. REFTELS DESCRIBED THE SIXTH ROUND OF U.K. OIL EXPLORATION LICENSES AND THE EXPECTED SKIRMISH OVER HOW MUCH PRIVATE CAPITAL MIGHT BE ATTRACTED OR OFFERED. THE LIMITED OFFICIAL USE

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CONSULTATIVE PROCESS IS NOW DEEPLY ENGAGED. THE U.K. OFFSHORE OPERATORS' ASSOCIATION OF PRIVATE COMPANIES (U.K.O.O.A.) HAS STATED PUBLICLY THAT THE TERMS (REF A) ARE TOO ONEROUS AND MANY COMPANIES THEREFORE MAY NOT SEEK ACREAGE AT ALL. U.K.O.O.A. HAS ALSO SAID THE OFFERING OF 40 BLOCKS, TEN OF WHICH WILL GO TO THE STATE-OWNED BRITISH NATIONAL OIL CORPORATION (BNOC), IS NOT

ADEQUATE TO MAINTAIN BRITISH ENERGY SELF-SUFFICIENCY  
INTO THE 1990S.

3. THE GOVERNMENT HAS MADE LITTLE PUBLIC RESPONSE TO  
DATE; ENERGY SECRETARY BENN HAS MERELY NOTED THAT FIELDS  
NOW IN PRODUCTION OR UNDER DEVELOPMENT WOULD GIVE BRITAIN  
OIL SELF-SUFFICIENCY IN THE 1980S. PRIVATE CONSULTATIVE  
SESSIONS NOW UNDER WAY BETWEEN THE GOVERNMENT AND UKOOA  
MUST STILL DETERMINE THE FINAL SIXTH-ROUND CONDITIONS.  
UNTIL THESE ARE COMPLETE AND UNTIL THE PRECISE ACREAGE  
TO BE OFFERED IN THE 40 BLOCKS IS KNOWN (BOTH MAY BE  
SEVERAL WEEKS AWAY), COMPANIES WILL BE IN NO POSITION TO  
MAKE FINAL JUDGMENTS ON WHETHER TO SEEK SIXTH ROUND  
CONCESSIONS.

4. SEVERAL COMPANIES HAVE TOLD US PRIVATELY THAT THEY  
MAY INDEED LET THE SIXTH ROUND PASS IF THE FINAL TERMS  
ARE AS STRICT AS THE INITIAL CONDITIONS OUTLINED IN  
REFTEL (A). ONE OF THE LARGEST OIL MULTINATIONALS  
EXPLAINED THEIR REASONING: THEY ARE INTERESTED IN DEEP-  
WATER ACREAGE (1,000 FEET AND DEEPER), WHERE THEY WOULD  
TRUST ONLY THEMSELVES TO MANAGE THE FRONTIERS-OF-THE-ART  
TECHNOLOGY INVOLVED. IF THEY COULD NOT BE ASSURED OF  
BEING THE OPERATOR FOR PRODUCTION OF ANY OILFIELD DIS-  
COVERED, THEY WOULD BE UNWILLING TO RISK THE LARGE SUMS  
INVOLVED IN EXPLORATION AND PRODUCTION.  
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5. ANOTHER SMALLER (BUT STILL LARGE) COMPANY SAID THEY  
DO NOT HAVE THE FINANCIAL ABILITY TO CARRY BNOC FOR FREE  
IN THE EXPLORATION STAGE AND THEN FACE FINANCIAL  
UNCERTAINTIES LATER. BNOC MIGHT CHOOSE EITHER TO

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EXERCISE AN OPTION TO BUY SUBSTANTIALLY MORE THAN 51 PERCENT OF THE CRUDE AT LESS THAN FULL MARKET PRICE OR, ALTERNATELY, TO EXERCISE AN OPTION TO REQUIRE THE PRIVATE COMPANY TO BUY A SUBSTANTIAL PORTION OF BNOC'S OIL SHARE AT AN AWKWARD MOMENT.

6. THUS, UNLESS THE INITIAL CONDITIONS ARE SOFTENED AND THE ACREAGE OFFERED PROVES TO BE ATTRACTIVE, SOME COMPANIES MAY WELL STAY OUT OF THE SIXTH ROUND ENTIRELY. UNTIL MORE IS KNOWN OF THE FINAL CONDITIONS, LITTLE MORE CAN BE SAID ON HOW MANY MIGHT DO SO. HOWEVER, WE CONTINUE TO FIND IT DIFFICULT TO BELIEVE THAT ALL PRIVATE FIRMS WOULD SKIP THIS ROUND, EVEN IF THE TERMS SHOULD REMAIN STRICT.

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7. COMPANY CIRCUMSTANCES VARY. SOME FIRMS NOW OPERATING IN THE NORTH SEA ARE CRUDE-SHY; OTHERS ARE HARD-PRESSED TO LOCATE REFINERS FOR THE OIL THEY HAVE. SOME COMPANIES NEED FAVORS FROM HMG, SUCH AS PERMISSION TO OFFLOAD BY TANKER RATHER THAN PIPELINE, FLEXIBILITY TO PROCURE KEY EQUIPMENT ABROAD, PERMISSION TO DEVELOP OR OPERATE A FIELD, OR PERMISSION TO FLARE GAS. SOME HAVE NO DOWN-STREAM ACTIVITY IN THE U.K.; OTHERS HAVE TOO MUCH. FINANCIAL POSITIONS VARY, AS DO THE DEGREES OF COMMITMENT TO OPERATIONS IN OTHER REGIONS OF THE WORLD. IN THIS LATTER RESPECT, THE COMPANIES ARE AWARE THAT THE RULES FOR NORWEGIAN WATERS ARE MORE FORMIDABLE THAN AT LEAST THE EXISTING CONDITIONS IN THE U.K. SECTOR OF THE NORTH SEA.

BREWSTER

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## Message Attributes

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**Channel Indicators:** n/a  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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**Disposition Date:** 20 Mar 2014  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** 78 LONDON 7428, 78 LONDON 7239, 78 LONDON 7697  
**Retention:** 0  
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**Review Event:**  
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**Subject:** THE SIXTH OIL LICENSING ROUND  
**TAGS:** ENRG, EINV, UK, US  
**To:** STATE USEEC MULTIPLE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014